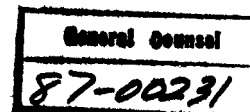




DEPARTMENT OF THE TREASURY
WASHINGTON



January 16, 1987

*file:
Procurement!
Small Business*

MEMORANDUM FOR:

Deputy General Counsel
Central Intelligence Agency

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SUBJECT: Request for Assistance

As I indicated in our telephone conversation, IRS has asked for my assistance in developing a coordinated Intelligence Community position regarding a recently enacted section (6050M) of the Internal Revenue Code. (Law enforcement concerns will, of course, be handled on a separate track.)

I would appreciate it if your office would take the lead in developing a Community response. The attached correspondence should provide all the required background.

The point of contact for my office is Lenore B. Mintz (566-5311), my legal advisor from Treasury's Office of the General Counsel.

Douglas P. Mulholland
Special Assistant to the Secretary
(National Security)

Atts: IRS Memo 14 Jan 87
IRS Memo 17 Dec 86

Ref: ER 86-5941x

MEMORANDUM FOR:

C/ESD

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FROM:

AC/Contracts Branch

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SUBJECT:

I.R.S. Memo

Per your request pertaining to the attached memorandum from I.R.S. seeking federal executive agencies to report items one through seven which are identified on page two (2) of attached memo, i.e., (name and address of the person under contract; contract employees TIN; etc). Based on the above information being requested, OP/ESD/Contracts Branch does not have available the pertinent data being requested by the I.R.S. nor the manpower to conduct a review of our files, the PERSIGN system and/or placing the phone calls to either the Office of Finance or Agency components to obtain the needed data requested. However, the Office of Finance's Compensation Division () and Regular Payroll Branch's) would in fact be the source to obtain this information because they issue the W-2 Forms, have mailing addresses, TIN's, know when and how much contract employees and independent contractors are paid, etc.

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Federal Executive Agencies

Interim Guidelines Under Section 6050M

5941x

Notice 87-1.

Section 6050M of the Internal Revenue Code, added by the Tax Reform Act of 1986, Pub. L. No. 99-514, 100 Stat. 2085, requires the head of every federal executive agency to make a return to the Internal Revenue Service reporting the name, address, and taxpayer identification number (TIN) of each person with which the agency enters into a contract, together with any other information required by Treasury regulations. The return is to be made at the time and in the form prescribed by Treasury regulations. A Federal executive agency is any executive agency (as defined in 5 U.S.C. section 105, other than the General Accounting Office), any military department (as defined in 5 U.S.C. section 102), the United States Postal Service, and the Postal Rate Commission. Section 6050M applies to all contracts under which payment will be made after December 31, 1986, whether entered into before, on, or after January 1, 1987. The information returns under section 6050M will facilitate the collection of delinquent taxes from contractors who are or will be receiving payments from federal executive agencies.

This notice informs federal executive agencies that the Service intends to issue temporary regulations which will require these agencies to file returns in early 1988 with

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respect to certain contracts in effect during calendar year 1987. It is anticipated that the temporary regulations will require federal executive agencies to report the following information to the Service:

1. Name and address of the person with whom the contract is made ("contractor");
2. Contractor's TIN and, if the contractor is a member of an affiliated group which files its federal income tax returns on a consolidated basis, the TIN of the common parent of the affiliated group;
3. The name of the federal executive agency entering into the contract and, if different, the name(s) of any federal executive agency responsible for making payment under the contract;
4. The beginning effective date of the contract and expected date of the completion of the contract;
5. Total gross amount payable to the contractor under the contract throughout the duration of the contract;
6. Date(s) when payment(s) will be made, or can reasonably be expected to be made, to the contractor under the contract; and
7. Mailing address and identification (by title) of the person to whom requests for an offset against any unpaid tax liability of the contractor can be sent.

The temporary regulations will not require reports with respect to: (1) contracts that do not require the payment of money or other property by any federal executive agency to the contractor; (2) contracts entered into with another federal governmental unit (or agency or instrumentality thereof), a state or local governmental unit (or agency or

instrumentality thereof), a person who is not required to have a TIN, or an employee of the federal executive agency acting in his or her capacity as an employee; (3) subcontracts; and (4) licenses granted by federal executive agencies.

Further, pursuant to the authority of section 6050M(d), which permits the Secretary to provide by regulations that contracts below a minimum amount or value need not be reported, the temporary regulations will not require reports with respect to contracts that involve aggregate payments of \$25,000 or less. For purposes of this rule, all contracts in effect during calendar year 1987 between a reporting agency and a contractor shall be aggregated. In addition, no report will be required with respect to any contract under which no payments are made after April 30, 1988. For this purpose, the actual date of payment, not the terms of the contract, shall be controlling.

Federal executive agencies may rely on this notice for purposes of collecting information with respect to contracts in effect during calendar year 1987. Additional requirements, if any, contained in the temporary regulations will not apply to contracts other than those entered into after the date of publication of the temporary regulations in the Federal Register and those entered into prior to that

date with respect to which payments are made after April 30, 1988. For example, more frequent reporting may be required with respect to contracts that are entered into after the date of publication of the temporary regulations.

Internal Revenue Service

Washington, DC 20224

Official Business

Penalty for Private Use, \$300



Central Intelligence Agency
Office of the Director
CIA Building
Washington, D.C. 20505

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